

FOREWORD

It is the intent of the City of Madison, Alabama, to provide for the fair and equitable treatment of all persons involved in providing supplies, equipment and services to the City. The City of Madison's Purchasing Policies and Procedures are governed by the State of Alabama Competitive Bid Law and the City's Purchasing Ordinance. This manual is to be used as a reference guide and to inform all vendors of the basic policies and procedures used by the Finance/Purchasing Department in the procurement of supplies, equipment and services.

The Finance/Purchasing Department is required to implement the adopted policies and procedures of the City and the State of Alabama Competitive Bid Law. The Finance/Purchasing Department provides assistance to other departments within the City in securing the best supplies, equipment and services in the most efficient and economical way. All purchases for the City are made through the Finance/Purchasing Department.

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SECTION I

CITY OF MADISON

PURPOSE AND ORGANIZATION

The City of Madison is a general purpose municipal government located in the western part of Madison County, Alabama. The City provides a full range of services to its citizens through the operation of departments which provides police and fire protection, sanitation services, streets and infrastructure, recreational activities and cultural events and administrative services. The City also contracts for construction of public facilities, engineering, architectural and general services.

The City operates under the Mayor-Council form of government. The Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring key City personnel. The Mayor is responsible for carrying out the policies and ordinances of the City Council, supervising the operations of the City and appointing the heads of the City's departments.

FINANCE/PURCHASING DEPARTMENT

The City of Madison operates the Finance/Purchasing Department under the supervision of the Finance Director. The Finance/Purchasing Department is responsible for implementing the policies and procedures of the adopted purchasing manual, Resolution, Ordinances or as directed by the Mayor, for the purchase of supplies, equipment and services for the City. The Finance Director or his or her authorized representatives are the only individuals authorized to sign a purchase order or request for payment forms.

The City of Madison's Purchasing Policies and Procedures are designed to obtain an efficient flow of data from the initiation of the transaction to the final result - the audited financial statements. The procedures are also designed to help assist in the safeguarding of assets.

The City of Madison makes every effort to maintain a good working relationship with all vendors and assumes responsibility to:

- * Assure all vendors receive a fair and courteous hearing;
- * Maintain fair and clear purchase and bid specifications;
- * Adhere to ethical purchasing policies and principles;
- * Maintain honesty and candor in all transactions;
- * Remain free from any obligation to suppliers;
- * Answer all inquiries promptly;
- * Furnish complete and accurate information;
- * Keep an open mind on new methods and procedures
- * Ensure testing of materials and products.

SECTION II

HOW TO SELL TO THE CITY

VENDOR/BIDDER LIST

Vendors desiring to sell supplies, equipment and services to the City may register with the Finance/Purchasing Department by telephone, write or visit the Finance/Purchasing Department to request to be placed on the vendor/bidder list and to obtain a Vendor/Bidder Application Form. At the time of the request the vendor will be added to the bidder's list for the supplies, equipment or services for which the vendor desires to bid.

The completed application should be returned to the Finance/Purchasing Department. Filing of a Vendor/Bidder Application Form is not a prerequisite for submitting bids or quotations. Filing an application will ensure that a vendor receives applicable bid or quotation invitations.

PURCHASING PROCESS

Each Vendor desiring to sell to the City must understand the purchasing process.

Informal Purchasing Procedures:

1. A need is recognized, perceived or indicated
2. Specifications are developed
3. Quotations are obtained
4. Purchase Requisition is prepared
5. Purchase Order is issued

Formal Purchasing Procedures:

1. A need is recognized, perceived or indicated
2. Specifications are developed
3. Request to bid with specifications is submitted to Finance/Purchasing
4. Authorization is granted to solicit for bids
5. Bid documents are developed and invitation for bid is advertised
6. Bids are received, opened, evaluated and recommendation for award is requested
7. Bid is awarded
8. Purchase Order or contract is issued

SECTION III

WHAT DOES THE CITY BUY?

It is important to understand what the City purchases. The City purchases supplies, equipment and services by Annual Contracts and One-time purchases.

ANNUAL CONTRACTS

Annual contracts are for estimated quantities of supplies, equipment and services generally at a firm price and for a specified period of time. The estimated quantities are established through prior usage by a City department or departments.

Awards are made to qualified single or multiple vendors who meet the specifications and conditions. Most contracts are awarded for one year although they may be for longer or shorter periods.

Examples of items purchased under annual contracts are:

- Diesel Fuel
- Gasoline
- Office Supplies
- Paper, Computer
- Paper, Copier
- Pest Control
- Sign Materials

ONE-TIME PURCHASES

One-time purchases are made for specific equipment, supplies or services at a firm price, on a fixed quantity and for a specified delivery.

Awards are made to the lowest responsible bidder meeting the specifications and conditions. Examples of items purchased under “one-time” purchase contracts are:

- Vehicles
- Fire Fighting Apparatus
- Industrial Supplies
- Computer Equipment and Software
- Construction Projects
- Law Enforcement Equipment

SECTION IV

PURCHASING PROCEDURES AND SOURCE SELECTION

The City purchases are obtained through a competitive process. Awards are made to the lowest responsible bidder meeting specifications. City procedures are designed to promote competition. The type of competition conducted is determined primarily by the expected value of the purchase.

When a purchase requires the formal bid procedures, "Invitation for Bids" is solicited, a date and hour for the bid opening are set in advance and bids are publicly opened at that time. The award is made to the lowest responsible bidder whose bid, meeting the required specifications, is most advantageous to the City considering price, quality and other factors.

When formal advertising is not required, purchase may be made by means of informal requests. The use of this method does not by any means preclude competition. It is our policy, under this method, to obtain competition consistent with the size of the purchase by informally soliciting quotations from qualified sources. A purchase order is issued to the vendor selected, considering price, delivery, quality of products and any other pertinent factors.

SMALL PURCHASES - INFORMAL BIDS

Purchases Costing \$100 to \$7,499:

1. The using department solicits quotations from a minimum of three vendors known to offer the required supplies or services. Completed Quotation Form and Purchase Requisition Form or Request for Payment are forwarded to the Finance/Purchasing Department.
2. Finance/Purchasing Department verifies funding and issues a Purchase Order to the vendor submitting the lowest quotation meeting specifications.

LARGE PURCHASES - FORMAL BIDS

Purchases In Excess of \$7,499:

1. After City Council's approval, the using department submits a memorandum to the Finance/Purchasing Department requesting to purchase items or services with specifications.

2. Finance/Purchasing Department verifies funding and formal bids are solicited. If necessary, a pre-bid conference may be conducted with all interested vendors at which time the bid specifications and other bid documents are reviewed. It is highly recommended that all interested vendors attend the pre-bid conference. Pre-bid conferences are conducted to give vendors an opportunity to ask for clarification. As a result, revised specifications may be issued.
3. Vendors **MUST** submit their bids in accordance with specifications such as time, dates, etc. Bids are publicly opened on the specified date and time.
4. Bids are evaluated by the Finance/Purchasing and the using department. The using department forwards a written recommendation to the Finance/Purchasing Department for concurrence. The recommendation is placed on Council's agenda for consideration for award.
5. City Council awards the bid, by resolution, to the lowest responsible bidder who has provided a bid in accordance with the specifications.
6. All vendors must perform in accordance with the contract, purchase order and specifications or be liable to the City for any damages caused by their breach.
7. Once a contract or purchase order has been issued, no changes may be made in the terms and conditions of the original bid or proposal submitted.

CONSTRUCTION SERVICES

The purchase of major construction services is managed by the Department of Public Works and/or the Project Manager in the Community Development Department.

Construction bidders are generally required to post a 10% Bid Bond at the time of bid submission and a Performance Bond, in an amount equal to the contract value, after contract is awarded. Evidence of Liability and Workmen's Compensation Insurance is also required after a bid is awarded. Any waiver of bonds will be clearly noted in the solicitation.

REQUEST FOR PROPOSALS (RFP)

Although sealed bids are the preferred method for contracting, some contracts may be awarded through the Request for Proposal method. Request for Proposals permits the evaluation of various approaches and consideration of many other factors.

Lack of adequate or definite specifications and a greater degree of flexibility, in both arriving at the desired technical approach and providing for closer technical involvement in performance, necessitate the use of this technique.

Proposals received will be reviewed and evaluated. Further discussions may be conducted with firms submitting the most acceptable proposals. The decision to award a contract will be derived through an analysis of all obtainable facts and a final conference with the firm or firms selected.

SECTION V

LEGAL AND ADMINISTRATIVE REGULATIONS

FORMALLY ADVERTISED PROCUREMENT

Each solicitation includes technical specifications, delivery or completion dates, place and method of delivery, nature and number of reports or manuals required, test and instructions and other items to be considered in submitting a bid. Contract clauses, terms and conditions are set forth such as the date, hour and place where bids will be publicly opened and recorded.

LATE BIDS

Bids received after the date and time set for bid opening will not be considered.

PRE-BID OR PRE-PROPOSAL CONFERENCE

Explanation regarding the solicitation, drawings and specifications are provided in the Pre-Bid or Pre-Proposal Conference. Any substantive clarifying information will be furnished to all prospective bidders or proposers in the form of a written addendum to the solicitation. These conferences ensure that all bidders who submit a bid to the City are bidding on the same basis.

FAILURE TO SUBMIT OFFER

If you chose not to submit a bid or proposal, return the solicitation to the Finance/Purchasing Department indicating “No Bid.” Please also indicate your desire to receive future solicitations for the same type of supply or service.

INVOICING AND PAYMENT

To ensure prompt payment, invoices containing the proper information must be submitted to the Finance Department/Accounts Payable. Invoices must contain proper quantities, item description (not simply the part numbers), unit and total prices (as stated on the purchase order) and the purchase order number. Upon receipt of the invoice and a receiving report from the using department verifying that all items are received in good condition, the invoice will be processed for payment. The City’s policy is to pay all invoices net thirty days upon receipt of supplies or services.

BONDS

A Contract Surety Bond is a form of insurance which guarantees that a contractor will comply with the terms of a contract thereby protecting the investment of the contracting party or entity.

The City may require bonds for services in which failure to perform could expose the City to substantial loss or for commodities in which the City has experienced delivery difficulties in the past. The three basic types of bonds which may be required are:

Bid Bond

Protects the City of Madison against a bid being withdrawn after bids have been opened. It is a representation that the bid is submitted in good faith. The amount of the bond required is either a specific dollar amount of a percentage of the total bid. Bond security is retained until an award is made.

Performance Bond

Required for Public Works contracts and some equipment and service contracts. These bonds, furnished by a properly licensed surety company, provide for fulfillment of the contract obligations in the event default by the successful bidder. Amount of this bond is usually 100% of the total contract.

Labor and Material Bond

A bond that guarantees payment to material suppliers and subcontractors for all materials and labor used to perform the contract. The amount of the bond is usually 100% of the total contract and used almost exclusively in construction contracts. This bond may be made a part of the Performance Bond.

Nothing herein prohibits the City from requiring other types of bonds when need warrants such protection.

SECTION VI

BID EVALUATION

RESPONSIBLE BIDDERS

The City is required to award contracts only to responsible and responsive bidders. The City determines the responsibility of bidders, following guidance provided by the applicable procurement regulations.

The evaluation of a bid includes cost as well as consideration of a firm's plant and test facilities, product capabilities, quality control, financial status, credit rating, performance on previous contracts and overall integrity.

RESPONSIBLE BIDS

City supply and service contracts are awarded on the basis of the lowest responsive and responsible offer. Price and other factors are considered. A bid is non-responsive when:

1. The bid fails to conform to the essential requirements of the invitation for bid such as specifications, delivery schedules or permissible alternates thereto.
2. The bidder imposes conditions which would modify requirements of the invitation for bid such as specifications, delivery schedules or permissible alternates thereto.
3. The bidder imposes conditions which would modify requirements of the invitation for bid or limit liability to the City so as to give an advantage over other bidders.

For example, bids will usually be rejected as non-responsive if accompanied by a notice that the product is subject to prior sale or that prices are subject to change without notice. Bids will also be rejected if a definite price is not given. Late bids cannot be considered.

Because errors often eliminate bids, your bids should be prepared with great care. If an error causes a bid to be too low, a substantial loss to the supplier may result. Before submitting a bid please consider the following:

1. Has every question been fully and accurately answered?
2. Has all requested information been furnished?
3. Are all the requirements of the basic specifications understood?
4. Have requirements of other referenced specifications in the invitation to bid been checked, including requirements for packaging and marking?

5. Has computation of the bid price been rechecked and has the price quoted been verified as accurate and complete?
6. Has due consideration been given to likely market conditions during the period in which performance will occur under the contract terms?
7. Is the cost of raw materials rising?
8. Are labor costs increasing?
9. Are transportation costs a factor?
10. Is a price adjustment clause necessary in the contract?
11. Can the delivery requirements of the invitation be met?
12. Has the bid been proofed after typing to be certain no figures have been transposed or other typographical errors made?
13. Have bid forms been properly signed?
14. Will the bid be mailed in time for receipt prior to the established deadline for opening?

TERMINATION OF CONTRACTS

The City continually reviews the performance of its vendors. If vendor non-conformance is discovered, the City will attempt to work out an acceptable solution. However, the City may terminate the vendor's contract for default and obtain a new supplier. If the contract with the new vendor involves a higher cost to the City; the original supplier may be held liable for the difference.

Because of the possibility of termination for default, the business firm should be certain it can satisfy the basic requirements of the contract before it bids.

ETHICS

Selling is a very competitive business and there are immense pressures on the seller to use any means to complete a transaction. To accomplish this end, sellers may be tempted to offer gifts, gratuities, or kickbacks. Such acts constitute a conflict of interest and are expressly prohibited. Disciplinary actions will be taken against any City employee or seller found guilty of contemplating or attempting unethical acts.

SECTION VII

EQUAL OPPORTUNITY PURCHASING POLICY

ADMINISTRATIVE EFFORTS

The City of Madison will affirmatively work to encourage utilization of minority business enterprises in its procurement activities.

The City will provide equal opportunities for all businesses and will not discriminate against any vendors regardless of race, color, religion, age, sex, national origin or disability.

RESERVATION OF RIGHTS

The Finance/Purchasing Department reserves the right to make modifications to this manual by written supplements or by publication of a revised edition without prior notice and without issuance of such modifications to all holders of the manual. Such modifications will become effective on the date of publication and will be posted on a public bulletin board in the office after publication.

In the event of a conflict between this manual and those procurement documents issued to vendors; the provisions of the procurement documents will govern.

This manual is designed to reflect the existing policies and procedures of the Finance/Purchasing Department in effect as of the date of publication. The policies and procedures stated in this manual shall not be construed as an interpretation of state or federal law or regulation.